

**§ 62-133.12. Rate adjustment mechanism based on investment in repair, improvement, and replacement of water and sewer facilities.**

(a) The Commission may approve a rate adjustment mechanism in a general rate proceeding pursuant to G.S. 62-133 to allow a water or sewer public utility to recover through a system improvement charge the incremental depreciation expense and capital costs associated with the utility's reasonable and prudently incurred investment in eligible water and sewer system improvements. The Commission shall approve a rate adjustment mechanism authorized by this section only upon a finding that the mechanism is in the public interest. The frequency and manner of rate adjustments under the mechanism shall be as prescribed by the Commission.

(b) For purposes of this section, "eligible water system improvements" or "eligible sewer system improvements" shall include only those improvements found necessary by the Commission to enable the water or sewer utility to provide safe, reliable, and efficient service in accordance with applicable water quality and effluent standards.

(c) For purposes of this section, "eligible water system improvements" means:

- (1) Distribution system mains, valves, utility service lines (including meter boxes and appurtenances), meters, and hydrants installed as in-kind replacements.
- (2) Main extensions installed to eliminate dead ends and to implement solutions to regional water supply in order to comply with primary and, upon specific Commission approval, secondary drinking water standards.
- (3) Equipment and infrastructure installed to comply with primary drinking water standards.
- (4) Equipment and infrastructure installed at the direction of the Commission to comply with secondary drinking water standards.
- (5) Unreimbursed costs of relocating facilities due to highway projects.

(d) For the purposes of this section, "eligible sewer system improvements" means:

- (1) Collection main extensions installed to implement solutions to wastewater problems.
- (2) Improvements necessary to reduce inflow and infiltration to the collection system to comply with applicable State and federal law and regulations.
- (3) Unreimbursed costs of relocating facilities due to highway construction or relocation projects.
- (4) Pumps, motors, blowers, and other mechanical equipment installed as in-kind replacements for customers.

(e) The Commission shall provide for audit and reconciliation procedures, including measures for refunds of any over-collections under the system improvement charge with interest pursuant to G.S. 62-130(e).

(f) The Commission may eliminate or modify any rate adjustment mechanism authorized pursuant to this section upon a finding that it is not in the public interest.

(g) Cumulative system improvement charges for a water or sewer utility pursuant to a rate adjustment mechanism approved by the Commission under this section may not exceed five percent (5%) of the total annual service revenues approved by the Commission in the water or sewer utility's last general rate case. (2013-106, s. 2.)